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TO RUEHC/SECSTATE WASHDC IMMEDIATE 8561
INFO RHEHNSC/NATIONAL SECURITY COUNCIL WASHDC IMMEDIATE
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SUBJECT: GLOBAL ECONOMY; ECUADOR

Taking the crisis seriously

Lead editorial in center-right O Estado de S. Paulo (10/01) says:
"While President George Bush negotiates a new bailout package for the financial sector with the [U.S.] Congress, the Brazilian government should take two attitudes: first, root for success of these negotiations, since without a planned official intervention, the crisis will last longer, bailout operations will be less efficient and the correction will be more painful not only for the U.S., but worldwide, including Brazil; second, leave out the oratory and study, with realism, a way to face the challenges without disturbing the national economy. At this moment, it is more prudent to forget the optimism... The challenge now is not to make Brazil an island of prosperity, but to facilitate the accommodation of the economy."

More power for Correa

Editorial in liberal Folha de S. Paulo (10/01) comments: "President Rafael Correa received last Sunday, with a large majority, the approval of the new Ecuadorian Constitution.... The issue now is to know if in practice the Constitution will be a dictatorial tool in the hands of Correa.... It is highly risky to politicize the institutions and guardianship of the executive over other powers, as is occurring in Venezuela and threatens to happen in Bolivia under Morales. In the area of economics, nothing guarantees that contracts will be respected. An untimely action of Correa against the Brazilian contractor Odebrecht is a good example. ... For now, Correa's nationalist platform is benefitting from high oil valuations, which provides social programs and accelerates public expenditures. However, it is not known yet how the new South-American populism would face a hypothetical situation, more and more feasible, of lower of fossil fuel prices."
White